

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 NEA-11 ISO-00 AF-10 NRC-05 SOE-02

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R 021210Z MAY 78

FM AMEMBASSY TRIPOLI

TO SECSTATE WASHDC 5452

INFO AMEMBASSY CAIRO

AMEMBASSY MOSCOW

AMEMBASSY TUNIS

C O N F I D E N T I A L TRIPOLI 0664

E.O. 11652: GDS

TAGS: ENRG, PEPR, LY, UR

SUBJECT: PETROLEUM NOTES; SOVIETS PENETRATE LIBYAN OIL SECTOR

BEGIN SUMMARY: OIL INDUSTRY SOURCES TELL US THAT THE RUSSIANS, IN ADDITION TO THEIR KNOWN ACTIVITIES IN THE LIBYAN GAS SECTOR, HAVE NOW OBTAINED DRILLING CONTRACT WITH A DIVISION OF THE LIBYAN NATIONAL OIL COMPANY. LONG-PLANNED NEW REFINERY AND ETHYLENE PLANT WILL REPORTEDLY BE LOCATED AT RAS LANUF, WELL AWAY FROM EGYPTIAN BORDER. END SUMMARY.

1. AN OIL INDUSTRY SOURCE RECENTLY TOLD US THAT THE RUSSIANS HAVE SIGNED A CONTRACT FOR DRILLING OIL WELLS IN THE LARGE SARIR FIELDS IN EAST-CENTRAL LIBYA, AN AREA WHICH HAS BEEN OPERATED BY THE STATE-OWNED ARABIAN GULF EXPLORATION COMPANY (AGECO) SINCE FULL EXPROPRIATION FROM BRITISH PETROLEUM AND NELSON BUNKER HUNT SEVERAL YEARS AGO. A SECOND RELIABLE SOURCE WHO WAS ASKED TO CHECK THIS REPORT INFORMED US IT WAS TRUE, AND THAT RUSSIANS IN FACT HAVE TWO DRILLING RIGS ALREADY OPERATING. HE ADDED THAT RUSSIAN CONTRACT  
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PRICE PER FOOT WAS ABOUT HALF THAT OF WESTERN OPERATORS. A THIRD SOURCE CONSULTED HAS CHECKED THE "SCOUTING" REPORT OF LIBYAN DRILLING ACTIVITY AND ADVISES THAT AS OF WEEK OF 1 MAY THERE ARE SEVEN RIGS OPERATING IN SARIR, BUT ALL OF THEM BELONG TO WESTERN PRIVATE OPERATORS.

2. WE SUSPECT THERE IS TRUTH TO REPORT OF SOURCE NUMBER

ONE ABOVE, AND IF SO, IT REFLECTS SECOND SIGNIFICANT RUSSIAN PENETRATION OF LIBYAN PETROLEUM AND GAS SECTOR (SEE BELOW). IT WILL BE RECALLED THAT A USSR-LIBYAN ECONOMIC PROTOCOL SIGNED AT CLOSE OF JALLUD'S FEBRUARY 1978 VISIT TO MOSCOW CALLED FOR COOPERATION IN OIL AND GAS, AND INCLUDED STATEMENT THAT SOVIET GEOLOGISTS WOULD GO TO LIBYA "TO EXPLORE FOR OIL." CHAIRMAN OF AGECO WAS A MEMBER OF JALLUD'S PARTY. WHAT APPEARS TO BE INVOLVED HERE IS DEVELOPMENT DRILLING, NOT EXPLORATION, OF LIBYA'S LARGEST OIL FIELD, THE ONE ON WHICH ANY LARGE INCREASE IN PRODUCTION IN INTERMEDIATE TERM MOST DEPENDS. GOVERNMENT'S GOAL, ACCORDING TO REMARKS OF LIBYAN NATIONAL OIL COMPANY CHAIRMAN IN 1977, IS TO INCREASE PRODUCTION OF SARIR FIELDS FROM PRESENT 400,000 BPD TO 800,000 BPD BY 1980.

3. IN VIEW OF SIZE OF SARIR PROJECT AND NUMBER OF RIGS CURRENTLY WORKING THERE, THE RUSSIAN EFFORT WILL PROBABLY BE ONLY A FRACTION OF WORK REQUIRED. THE DEVELOPMENT IS UNFAVORABLE TO U.S. COMMERCIAL INTERESTS, SINCE SOME OF WORK ALLOTTED TO RUSSIANS WOULD PROBABLY HAVE GONE TO AMERICAN DRILLING COMPANIES WHICH STILL DOMINATE DRILLING BUSINESS. IF RUSSIAN CONTRACT IS FOR ONLY TWO RIGS, DOES NOT EXCLUDE OTHER DRILLING CONTRACTORS FROM THE AREA AND PROVIDES FOR COMPENSATION ON A PER-FOOT-DRILLED BASIS, OUR PRELIMINARY ASSESSMENT IS THAT EXPECTED  
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RUSSIAN INEFFICIENCIES WILL HAVE ONLY MARGINAL IMPACT IF ANY ON LIBYAN OIL DEVELOPMENT.

4. ANOTHER AREA FOR WHICH RUSSIANS AND LIBYANS HAVE DISCUSSED COOPERATION FOR SOME TIME IS GAS. FEBRUARY 1978 USSR-LIBYAN ECONOMIC PROTOCOL NOTED RUSSIANS WOULD ASSIST LIBYA IN BUILDING IRON AND STEEL MILL AND IN "DEVELOPING ITS NATURAL GAS INDUSTRY UP TO YEAR 2000." ACCORDING TO VARIOUS SOURCES IN OIL COMMUNITY, RUSSIAN TEAM HAS BEEN IN TRIPOLI FOR SOME TIME STUDYING FUTURE AVAILABILITY OF NATURAL GAS AND ALSO PREPARING FOR THE DESIGN OF A NATURAL GAS PIPELINE FROM ESSO'S TERMINAL AT MARSA BREGA TO THE SITE NEAR MISURATA OF PROJECTED STEEL MILL. RUSSIANS HAVE BEEN INTERVIEWING COMPANY PERSONNEL ABOUT REQUIRED DATA, SAID TO INCLUDE ALMOST EVERYTHING KNOWN ABOUT GAS RESOURCES, AND COMPANIES HAVE BEEN INSTRUCTED BY PETROLEUM MINISTRY TO SUPPLY TO MINISTRY ALL DATA REQUESTED BY RUSSIANS. INDUSTRY SOURCES STATE THAT RUSSIANS WILL ALSO CONSTRUCT THE PIPELINE. WE HAVE NO CONFIRMATION WHETHER THIS IS IN FACT THE CASE, OR WHETHER RUSSIANS ARE ACTING AS CONSULTANTS OR DESIGNERS OF PROJECT. THERE ARE REPORTS THAT SOME

MINISTRY OFFICIALS ARE LESS THAN HAPPY WITH THIS COOPERATION, AND ARE DEALING WITH RUSSIANS GRUDGINGLY.

5. A RELIABLE INDUSTRY SOURCE SAYS THE MINISTRY OF PETROLEUM HAS PRIVATELY REVEALED ITS INTENTION TO BUILD THE PROJECTED 220,000 BPD EXPORT REFINERY AND THE PLANNED ETHYLENE PLANT (1,000 TONS PER DAY) NEAR MOBIL'S TERMINAL AT RAS LANUF NEAR THE BOTTOM OF GULF OF SIRTE AT APPROXIMATELY 18 DEGREES 30 MINUTES EAST AND 30 DEGREES 30 MINUTES NORTH. THESE FACILITIES HAD PREVIOUSLY BEEN PLANNED FOR TOBRUK WHICH IS ONLY 65 MILES FROM THE EGYPTIAN BORDER. LAST SUMMER'S HOSTILITIES WITH EGYPT CALLED ATTENTION TO THE VULNERABILITY OF THESE FLAMMABLE FACILITIES TO EGYPTIAN ATTACK AT TOBRUK LOCATION AND PRESUMABLY CAUSED THE MOVE TO CONFIDENTIAL

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RAS LANUF WHICH IS 335 MILES FARTHER FROM THE BORDER. PROJECT WILL INCLUDE THE BUILDING OF A NEW TOWN TO HOUSE THE WORK FORCE AND ITS SUPPORTING ELEMENTS. SO FAR AS WE KNOW, NEW REFINERY IS ONLY ONE PROJECTED AT THIS TIME, AND WILL GIVE LIBYA A REFINING CAPACITY OF ABOUT 350,000 BPD, OVER TWO-THIRDS OF WHICH WOULD BE FOR EXPORT UNDER PRESENT MARKET CONDITIONS.  
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## Message Attributes

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